

Message Text

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TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 232403

FOLLOWING REPEAT TOKYO 14784 ACTION SECSTATE DTD 9/26/77.

QUOTE C O N F I D E N T I A L TOKYO 14784

FOR ARA ASSISTANT SECRETARY TODMAN

E.O. 11652: GDS

TAGS: OCON, PGOV, ECON, EFIN, ETRD, XM, JA, US

SUBJECT: US-JAPANESE CONSULTATIONS ON LATIN AMERICA--COUNTRY
DISCUSSIONS

REF: TOKYO 14783

1. CUBA: TO SHOW THEIR DISPLEASURE WITH CUBA'S ACTIVITIES IN ANGOLA, JAPAN ENDED ITS TECHNICAL COOPERATION PROGRAM. JAPANESE EMPHASIZED THAT TRADE RELATIONS WERE NOT AFFECTED BY THIS ACTION. THEY SAID THEIR SUGAR PURCHASES HAD DROPPED FROM ONE MILLION TONS TO ABOUT 100,000 TONS PRIMARILY BECAUSE CUBA'S ASKING PRICE FOR A LONG-TERM CONTRACT WAS TOO HIGH. JAPANESE REITERATED THEIR CONCERN ABOUT U.S. EMBARGO ON IMPORTING JAPANESE SPECIALTY STEEL CONTAINING CUBAN NICKEL. THEY WERE TOLD THAT THERE WERE NO PROSPECTS FOR A QUICK END TO EMBARGO. JAPANESE DISCLOSED THAT PRESIDENT OF NIPPON STEEL WOULD BE VISITING
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CUBA NEXT MONTH TO DISCUSS TRADE.

2. BRAZIL: JAPANESE REVEALED THAT ALMOST ALL PROJECTS CONTAINED IN DOLS2.9 BILLION ECONOMIC COOPERATION AGREEMENT SIGNED DURING PRESIDENT GEISEL'S VISIT TO JAPAN LAST YEAR WOULD BE DELAYED PRIMARILY DUE TO CURRENT INABILITY OF BRAZILIAN PARTNERS TO FINANCE THEIR PORTION OF PROJECT.

BRAZIL IS SENDING DELEGATION TO TOKYO DURING WEEK OF SEPTEMBER 26 TO ASK JAPANESE TO INCREASE THEIR FINANCING OF TUBARAO STEEL PROJECT. JAPANESE WILL PROBABLY POSTPONE THIS PROJECT FOR TWO YEARS RATHER THAN INCREASE THEIR CONTRIBUTION. THEY SAID, HOWEVER, THAT THEY WOULD CONTINUE ON AN ASSOCIATED PORT PROJECT WITH ONLY SLIGHT DELAY. WHEN ASKED ABOUT THEIR EXPERIENCE WITH MINORITY INVESTMENTS IN BRAZIL, JAPANESE SAID THAT MOST INVESTMENTS WERE REALLY 100 PERCENT JAPANESE OWNED AND BRAZILIAN-BORN JAPANESE MERELY POSED AS FRONTS. THEY SAID THAT THERE ARE MORE THAN 500 JAPANESE COMPANIES IN BRAZIL AND ALL ARE WHOLLY CONTROLLED BY JAPAN.

3. ARGENTINA: A NUMBER OF JAPANESE INVESTMENT PROJECTS IN ARGENTINA WILL PROBABLY BE ANNOUNCED BY END OF YEAR. THESE INCLUDE PROJECTS IN ELECTRONICS MANUFACTURE, SUPERMARKETS, AND AGRO-INDUSTRY. ARGENTINA HAS PERMISSION TO ISSUE A DOLS100 MILLION YEN-DENOMINATED BOND IN TOKYO MARKET. IT SHOULD BE FLOATED AFTER BEGINNING OF NEXT YEAR. JAPANESE BELIEVE, HOWEVER, THAT ARGENTINA HAS LOST ITS CHANCE TO REDUCE INFLATION BELOW TRIPLE-DIGIT LEVELS BY FAILURE TO ADEQUATELY CUT GOVERNMENT EXPENDITURES. JAPAN IS LIKELY TO INCREASE ITS PURCHASES OF AGRICULTURAL PRODUCTS FROM ARGENTINA PROVIDED ARGENTINA CAN INCREASE ITS RELIABILITY AS SUPPLIER.

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4. MEXICO: JAPAN IS INTERESTED IN LOPEZ-PORTILLO'S ECONOMIC POLICIES. THEY HOPE HIS POLICIES REGARDING NATURAL RESOURCES WILL BE LESS RESTRICTIVE THAN HIS PREDECESSOR'S. THEY ARE ALSO ENCOURAGED THAT BILATERAL CONSULTATIONS OF BOTH GOVERNMENTAL AND PRIVATE-SECTOR REPRESENTATIVES ARE BEING RESUMED AFTER FOUR-YEAR LAPSE.

5. PERU: JAPAN DOES NOT THINK PERUVIAN ECONOMY CAN GO ON WITHOUT SUBSTANTIAL RENEGOTIATION OF ITS EXTERNAL DEBT. THEY ARE NOT OPTIMISTIC ABOUT PERU'S FUTURE AND ARE CONCERNED THAT PERU MAY ASK FOR ADDITIONAL JAPANESE ASSISTANCE. JAPAN HAS PROVIDED A DOLS20 MILLION LOAN FOR CONSTRUCTION OF LIMA-CHIBOTE ELECTRIC TRANSMISSION LINE AND A DOLS15 MILLION SOFT LOAN FOR COMMODITIES. JAPANESE DO NOT THINK PRESIDENT MORALES BERMUDEZ HAS A STRONG ENOUGH PERSONALITY TO GENERATE WIDESPREAD POPULAR SUPPORT FOR HIS POLICIES.

6. CHILE: JAPANESE HAVE GREAT SYMPATHY FOR CHILE AS A COUNTRY WHICH HAS "COME BACK FROM COMMUNISM." GENERALS LEIGH AND MENDOZA AND MINISTER OF ECONOMY DECASTRO WILL VISIT JAPAN DURING NEXT TWO MONTHS. DECASTRO VISIT WILL

BE TO NEGOTIATE SUPPLIERS' CREDITS FROM JAPAN'S EX-IM
BANK. THIS REQUEST WILL GET FAVORABLE CONSIDERATION.
JAPAN IS VERY INTERESTED IN TRANS-ANDEAN ROAD PROJECT
BETWEEN CHILE AND ARGENTINA. THEY ASKED FOR U.S.
SUPPORT FOR THIS LARGE UNDERTAKING WHICH WOULD PROVIDE
PACIFIC OUTLET FOR ARGENTINA AND ATLANTIC OUTLET
FOR CHILE.
MANSFIELD UNQUOTE VANCE

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